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Classified By: Ambassador for reasons 1.4(b,d).

¶1. (C) Summary. Rada Speaker Arseniy Yatsenyuk has become one of the most interesting senior politicians in Ukraine to watch. Only 34 years old, Yatsenyuk has already served not only as chair of the parliament, but Foreign Minister, Minister of Economy, and Acting Governor of the National Bank. Some of his success may be credited to his ability to reach out to various camps and appear nonpartisan -- he received his FM and Speaker positions as a compromise candidate -- and to his ties to a number of older politicians and businessmen who championed his career at various stages. Yatsenyuk has grown as Speaker, learning to exert his authority to try to keep the often deadlocked parliament moving forward. He has also embraced the role of mediator, trying to keep the coalition intact, while encouraging the opposition to act constructively. Privately, Yatsenyuk has founded a think tank to promote Ukraine's international image, increase discussion of key security issues, and give financial support to young leaders -- the Speaker also made the list of the country's top philanthropists in 2007. Now press and politicians are beginning to speculate whether Yatsenyuk might be in line to become Prime Minister, head of a new political project, or may harbor presidential ambitions of his own. When asked about future plans, Yatsenyuk has been relatively coy, saying that he would only lead a party of his own making. He has been open in his support for the coalition, for now, and his opposition to a new constitution.

¶2. (C) Comment. Whether Yatsenyuk's ambitions include making a run for the presidency next year or whether he is biding his time until the current crop of leaders has faded is unclear at this point. Given Yushchenko's dismal popularity ratings, and the fact that Yanukovych and the Party of Regions have not succeeded in recent elections at breaking their 33 percent support cap, there could be an opening for a fresh face in 2009. However, Yatsenyuk has been careful not to burn bridges and may decide to wait before making any political alliances or moves in his own interest, since he does not know who might win next year's election. Although Yatsenyuk is clearly close to President Yushchenko, he has maintained decent ties with PM Tymoshenko and with politicians and oligarchs in other camps. His immediate goal may be to avoid being sent back to a low-profile position like the National Bank if there is a government shake-up. Based on his current attitudes and actions, if he were to one day take the PM or President's seat, we expect him to be a pragmatic and forward-leaning leader, with a strong emphasis on economic goals. End summary and comment.

Improving as Speaker, Mediator

¶13. (C) We have observed that Yatsenyuk's skills as Speaker have developed significantly since he took the post in December 2007. During early challenges, such as the failed confirmation vote for Tymoshenko on December 11 and Regions's blockade of the rostrum during the NATO MAP controversy in January 2008, Yatsenyuk often seemed ill at ease while trying to restore order. He was soft spoken and too hung up on the rules of procedure to deal with MPs shouting and charging his dais. However, since then he has become more comfortable speaking definitively and moving procedure forward over objections. He has learned how to run a vote and how to delay a vote when it is clear it will fail. For example, Yatsenyuk proudly told the press on April 16 that he had saved Yushchenko's CabMin law from sure death by canceling the final vote when the coalition lacked the votes to confirm it. (Note. The law was passed at a later date after a new agreement with BYuT. End note.) He also became comfortable docking the pay of MPs who blockaded the rostrum and prevented the Rada from working -- applying this rule equally to Regions and BYuT.

¶14. (C) Publicly, Yatsenyuk has repeatedly dismissed the need for early elections, saying they won't change anything, and has defended the current coalition, arguing that he won't help terminate it until ordered to by the Constitutional Court. He also told the press on June 6 that he did not think the political situation would change until the fall, when a constructive dialogue could be held. He referred to BYuT's proposed constitutional changes as a "latent coup d'etat" and later rejected attempts to write a new constitution by any party, including the President.

¶15. (C) However, it may be Yatsenyuk's role behind the scenes that is most important. He has become a key negotiator and mediator -- trying to keep the coalition going and Yushchenko

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and Tymoshenko speaking, and reaching out to the opposition. He has tried to broker negotiated settlements to allow the Rada to work, holding many meetings with the faction leaders, sometimes with Committee Chairmen as well, and meetings with Yushchenko and Tymoshenko in various formats. On June 4, he sent a letter to the President, PM, and Rada faction leaders proposing the parliament adopt an action plan called "Ukraine 2008." He wanted the document to focus on economic, social, judicial, and law enforcement reform, as well as preparations for the Euro 2012 soccer tournament. On June 20 he called on all factions to refrain from insulting one another and issuing ultimatums. On June 24, he held a meeting with Tymoshenko, OU-PSD faction leader Vyacheslav Kyrylenko, and BYuT deputy faction leader Andriy Kozhemyakin to try to work out how to save the coalition. Afterwards, he said they had reached a tentative agreement to adopt a law called "external and internal policies until 2010," which would serve as the basis for the coalition's future work. He said the law would address key macroeconomic issues, such as lowering inflation and increasing GDP, and would provide concrete goals for improving social standards. Yatsenyuk said that only by defining the nation's priorities could the coalition and government move forward and possibly gain support from others in the parliament. Presidential Chief of Staff Baloha and Presidential Spokeswoman Vannikova said on separate occasions that Yushchenko believes Yatsenyuk has to take the lead in restoring the democratic coalition.

Nonpartisan Appeal

¶16. (C) Yatsenyuk's meteoric career has, in part, been due to being viewed as a compromise candidate who can reach out to all camps. He was confirmed as Foreign Minister on March 21, 2007 with 426 votes after months of fighting about who would be the new FM. His surprise candidacy was seen as part of a deal between Yushchenko and then PM Yanukovych, and Rada MPs from various factions indicated to us at the time that they found Yatsenyuk more palatable than other alternatives.

Yatsenyuk's nomination as Rada Speaker in December was equally surprising, but again more broadly approved of than some of the other OU-PSD candidates being discussed. However, he was confirmed with only the support of the 227 coalition members. More recently, respected newspaper Dzerkalo Tyzhnya suggested that Yatsenyuk was one of three candidates the Presidential Secretariat would want to see as PM in a new broad coalition.

¶17. (C) Political analyst Volodymyr Fesenko told us that he was amazed how quickly Yatsenyuk -- whom he termed a representative of the new elite -- had learned all the intricacies of political intrigue. Fesenko said that Yatsenyuk comes off as an open, democratic, and western-style politician, but he also understands the art of survival in a soviet-type bureaucratic environment, where interpersonal connections and patron-client ties are key.

A New Political Project on the Horizon?

¶18. (C) At a June 15 function, Yatsenyuk told the Ambassador that Ukrainians were tired of the political squabbling between the three top politicians. He called Our Ukraine and United Center "dead projects" and said he would associate with neither. He said that a new political project would emerge, but he would not say what it would be or what it would stand for. The Speaker also said that his version of the Ukrainian national idea was European values. He spoke for the need to maintain the current coalition for now, but suggested that it would be better to try to diminish the roles of Presidential Chief of Staff Baloha and NSDC Secretary Bohatyryova in the process. Interestingly, Regions MP Nestor Shufrych told the Ambassador that same day that Yatsenyuk was one of two young politicians to watch in the next year or two (the other was Mykola Katerynchuk.) Shufrych believed that the two MPs might form a joint political project in the future.

¶19. (SBU) On a political talk show in early June, Yatsenyuk dismissed the rumors that he might soon become the head of United Center. He said that if he decided to lead a political project, it would be one of his own making. In addition, in response to the question when he or someone of his generation would run for president, he said, "as soon as society will support (such a candidate), you will see (him)."

¶110. (SBU) There has been plenty of speculation about Yatsenyuk's short-term future. On-line news site Ukrainska Pravda on June 20 wrote that a rumor was circulating that Yatsenyuk was playing two games at the same time. According to the rumor, Yatsenyuk was delaying the announcement of the

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break-up of the current coalition, while negotiating with Regions on a possible senior-level appointment, such as Deputy Prime Minister for Economics, in a new government. The Akhmetov-owned Segodnya newspaper published a list of scenarios for solving the political impasse and stated that the preferred Regions solution was a broad coalition, with Yatsenyuk as First Deputy PM. Regions MP Chechetov told the press that Regions had also not ruled out leaving Yatsenyuk as Speaker in the advent of a new coalition.

Yatsenyuk Is on People's Minds

¶111. (C) Focus groups conducted in six cities across Ukraine by the International Republican Institute (IRI) revealed some interesting thinking on Yatsenyuk. Initially, IRI solicited opinions mainly on the three main political leaders -- Yushchenko, Yanukovych, and Tymoshenko -- but were surprised by the strongly positive reactions when Yatsenyuk's name was raised. Although participants generally held the Rada to be a bastion of corruption populated by MPs who bought their spots on party lists and did not care about the electorate,

they described Yatsenyuk as "smart with a systematic approach," "the future of the nation," and "the next generation of Ukraine and a new generation of politician." They saw him as an independent actor who had allies in more than one camp and could work intrafactionally. The main negative cited by participants is that they did not know a lot about Yatsenyuk as a person, that although he was honest about having money and where the money came from, beyond that he was somewhat of a mystery. There was also a somewhat negative perception that he was being groomed by Yushchenko. (Note. The information provided by the focus groups cannot be taken as representative of national opinion, as the data from a poll would be, but the comments are still interesting given the contrast between the praise for Yatsenyuk as a leader and the excoriation of the Rada as an institution. End note.)

¶12. (SBU) An opinion poll conducted by the Ukrainian Sociology Services in April-May indicated that 33 percent of respondents supported the idea of a new "third way" political party. When asked who should lead this party, Yatsenyuk was the top choice, with 13 percent of respondents selecting him.

Currently, Yatsenyuk does not often register in polls on future presidential elections, but that may be due to the fact that most people probably do not consider him to be a candidate at this time.

Friends in High Places, Sharing the Wealth

¶13. (SBU) In December 2007, investigative journalist Serhiy Leshchenko wrote an in-depth article in Ukrainska Pravda about Yatsenyuk's roots titled "The riddle of Arseniy Yatsenyuk," which points to a number of powerful patrons in the Speaker's past. Leshchenko argues that Yatsenyuk became a success in the law and business world at the age of 22 due to ties to now deceased media mogul Ihor Pluzhnikov, former Labor Minister Mykhaylo Papiyev, and former Yushchenko Chief of Staff Oleksandr Zinchenko, all of whom hail from Yatsenyuk's hometown of Chernivtsi. (Note. Interestingly, all were also members of the Social Democratic Party (united) at some point, as was current Chief of Staff Baloha, who brought Yatsenyuk into the Presidential Secretariat in 2006. End note.) Yatsenyuk co-founded a law firm during his second year of university, the clients of which included Papiyev. These SDPU(o) ties were later echoed on the respected political talk show Svoboda by Shufrych, who also used to be in SDPU(o). Yatsenyuk denied Shufrych's accusations, but the ties to Papiyev, at a minimum, seem to be more broadly confirmed.

¶14. (SBU) Leshchenko wrote that Yatsenyuk moved to Kyiv in 1997 to enter the banking industry, and was then put forward to be the Crimean Minister of Economy by the then head of the Crimean government, who was a member of oligarch Viktor Pinchuk's Working Ukraine (Trudova Ukraina) -- Leshchenko says Yatsenyuk and Pinchuk remain close. (Note. Serhiy Tihipko, Yatsenyuk's boss at the NBU before Yatsenyuk took over as Acting Governor, was also from Working Ukraine. End note.) The article says Yatsenyuk attends every Davos and Yalta (YES) event hosted by Pinchuk. Leshchenko says that Yatsenyuk also formed ties to Defense Minister Yuriy Yekhanurov, Deputy Secretariat Head Oleksandr Shlapak, Yushchenko backer Petro Poroshenko, and former Presidential Chief of Staff Oleh Rybachuk -- and when Yekhanurov became PM in September 2005, he recommended Yatsenyuk to be Minister of Economy. Yatsenyuk also has ties to Vitaliy Haiduk and Katerina Yushchenko, according to Leshchenko.

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¶15. (SBU) According to the publication Novynar, Yatsenyuk was the twelfth largest philanthropist in Ukraine in 2007. Much of this money may have gone to fund a think tank Yatsenyuk co-founded with a Polish businessman called Open Ukraine Foundation. The foundation's mission statement says its goal

is to support public diplomacy and to raise the profile of Ukraine internationally. To that end, it organizes conferences on key security issues, such as energy security, frozen conflicts, the Black Sea Region; it also sponsors a program on young leaders in a variety of fields. According to the organization's website and conference materials, its two key financial sponsors are the Pinchuk Foundation and Industrial Union Donbas (co-owned by Haiduk). (Comment. The two organizations' financial support for Yatsenyuk's project could merely be a meeting of the minds on this issue, but it does suggest that he has ties to major businessmen, should he need to reach out to them if he decided to run a campaign. Interestingly, Pinchuk recently gave a long interview to Dzerkalo Tiyzhnya in which he said that Ukraine needed a new generation of leader to fix the country. He did not mention Yatsenyuk by name, but the Speaker fits the profile of the type of leader Pinchuk expressed a desire to find. End comment.)

What Would Yatsenyuk Be Like as a Leader?

¶16. (C) As described in reftel, Yatsenyuk is an engaged, thoughtful, and pragmatic leader. Our impressions in meetings with the Speaker, and when he was Foreign Minister, are that he is a well-spoken, forward-thinking young politician. As PM or President, he would likely be reform oriented, while relying on his political ties to get laws passed. His economic background suggests he would approach foreign policy from an economic standpoint, but he has shown himself open to NATO cooperation and his think tank demonstrates that he is cognizant of Ukraine's international image.

¶17. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.

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